

MINIMUM INFORMATION ON WRITTEN CONFIRMATION ADVICE

- PROPOSED AMENDMENT TO** : Rule 6.3 Conduct and Ethics - Other Duties to Customer
[Minimum Information on Written Confirmation Advice]
- Reference No. : Proposal No. 003-2013, as Further Revised in Response to SEC Comment (in green font) (superseding Rule Proposal Nos. 003-2012 and 001-2013) [Note: Items in blue font are the additional proposed revisions contained in the submission dated 08 October 2013.]
- Rationale for the Revised Proposal : To provide adequate, accurate and timely disclosure of information on the transaction by the trading participant, dealer and/or broker to the customer with the adoption of the convention to quote and settle on one price.

As directed by the *Bangko Sentral ng Pilipinas*, the Yield to Maturity (YTM) should be among the items required as minimum information in the written affirmation of execution of trade order and written confirmation of settlement of trade. Thus, Trading Participants are required to disclose the YTM derived from the Clean Price using the Global Bond Formula. The Clean Price is the price at which the trade is matched and consummated, to which the Accrued Interest and the Tax on Accrued Interest are applied to determine the Settlement Value.

| CURRENT RULE | PROPOSED AMENDMENT, AS FURTHER REVISED (No. 003-2013) | PROPOSED REVISIONS (in underscored and italicized blue font) |
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| <p>Rule 6.3. Other Duties to Customer</p> <p>Every Trading Participant or its personnel shall:</p> <p>1. x x x</p> <p>2. Send its customers written confirmation of all transactions in compliance with Securities Laws and these Rules;</p> | <p>Rule 6.3. Other Duties to Customer</p> <p>Every Trading Participant or its personnel shall:</p> <p>1. x x x</p> <p>2. Send its customers <u>the following written confirmation of all transactions</u> in compliance with Securities Laws and these Rules;</p> <p>a. <u>Written affirmation confirmation of execution of the trade orders as promptly as possible on the day which they are made, which shall contain, at the minimum, the following information:</u></p> <ul style="list-style-type: none"> i. <u>Account Name of Customer Transaction Number</u> ii. <u>Nature of Transaction - designation on whether the transaction was a purchase or sale for the Customer</u> iii. <u>Security</u> iv. <u>Trade Date</u> v. <u>Face Value</u> vi. <u>Yield to Maturity, which shall be derived using the tax neutral Global Bond Formula, as follows:</u> $\text{Gross Clean Price} = \left[\frac{MV}{\left(1 + \frac{YTM}{Cpn Freq}\right)^{N-1 + \frac{DSC}{E}}} \right] + \left[\sum_{k=1}^N \frac{CPN \cdot AMT}{\left(1 + \frac{YTM}{Cpn Freq}\right)^{k-1 + \frac{DSC}{E}}} \right] - \left[\frac{MV + CPN\% + DCS}{360} \right]$ <p>Where: MV = Maturity Value N = Number of Coupon Periods remaining bet. Settlement and Maturity date. If N has a fractional part, (i.e. settlement not</p> | <p>Rule 6.3. Other Duties to Customer</p> <p>Every Trading Participant or its personnel shall:</p> <p>1. x x x</p> <p>2. Send its customers <u>the following written confirmation of all transactions</u> in compliance with Securities Laws and these Rules;</p> <p>a. <u>Written affirmation confirmation of execution of the trade orders as promptly as possible on the day which they are made, which shall contain, at the minimum, the following information:</u></p> <ul style="list-style-type: none"> i. <u>Reference Information (e.g., Account Name of Customer or Transaction Number or other reference)</u> ii. <u>Nature of Transaction - designation on whether the transaction was a purchase or sale for the Customer</u> iii. <u>Security</u> iv. <u>Trade Date</u> v. <u>Face Value</u> vi. <u>Yield to Maturity, which shall be derived from the Clean Price using the tax neutral Global Bond Formula, as follows:</u> $\text{Clean Price (GBF)} = \left[\frac{MV}{\left(1 + \frac{YTM}{Cpn Freq}\right)^{N-1 + \frac{DSC}{E}}} \right] + \left[\sum_{k=1}^N \frac{CPN}{\left(1 + \frac{YTM}{Cpn Freq}\right)^{k-1 + \frac{DSC}{E}}} \right] - \left[\frac{CPN + DCS}{360} \right]$ <p>Where: Clean Price (GBF) = Clean Price Global Bond Formula</p> |

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| | <p>CPN AMT = on a coupon date) it is rounded to next higher whole number CPN% = Coupon Amount Cpn Freq. = Coupon Rate YTM = Coupon Frequency DCS = Yield to Maturity DSC = Days from previous Coupon Date to Settlement Date (or Accrued no. of Days) E = No. of Days from Settlement Date to next Coupon Date K = No. of Days in Coupon Period (also E = DCS + DSC) In Phil. 30/360 convention, E is 360 for annual coupon, 180 for semi-annual coupon, and 90 for quarterly coupon bonds Coupon Period</p> <p>vii. <u>Principal/Price Clean Price</u> viii. <u>Accrued Interest</u> ix. <u>Final withholding tax on accrued interest</u> x. <u>Unbundled transaction fees (broker's fee, other charges)</u> xi. <u>Other relevant fees and charges</u> x. <u>Settlement amount</u></p> <p>Information on Yield to Maturity may be added to the written confirmation.</p> | <p>MV = Maturity Value N = Number of Coupon Periods remaining bet. Settlement and Maturity date. If N has a fractional part, (i.e. settlement not on a coupon date) it is rounded to next higher whole number</p> <p>CPN% = <u>Coupon Rate-amount received per coupon period¹</u></p> <p>Cpn Freq. = Coupon Frequency YTM = Yield to Maturity DCS = Days from previous Coupon Date to Settlement Date (or Accrued no. of Days) DSC = No. of Days from Settlement Date to next Coupon Date E = No. of Days in Coupon Period (also E = DCS + DSC) In Phil. 30/360 convention, E is 360 for annual coupon, 180 for semi-annual coupon, and 90 for quarterly coupon bonds K = Coupon Period</p> <p>vii. <u>Principal/Price Clean Price, which is the price at which the trade is matched and consummated, to which the Accrued Interest and the Tax on Accrued Interest are applied to determine the Settlement Value of the transaction.</u> viii. <u>Accrued Interest</u> ix. <u>Final withholding tax on accrued interest</u> x. <u>Unbundled transaction fees (broker's fee, other charges)</u> xi. <u>Other relevant fees and charges</u> x. <u>Settlement amount</u></p> <p>Information on Yield to Maturity may be added to the written confirmation.</p> |
| | <p>b. <u>Written confirmation of settlement of the trade, which shall contain, at the minimum, the following information:</u></p> <p>i. <u>Parties</u> ▪ <u>Name & contact information of Trading Participant</u> ▪ <u>Account Name of Customer</u></p> <p>ii. <u>Nature of Transaction - designation of whether the transaction was a purchase or sale for the Customer</u></p> <p>iii. <u>Dates</u> ▪ <u>Trade Date</u> ▪ <u>Settlement Date</u></p> <p>iv. <u>Description of the Security</u> ▪ <u>Type of Security or Issuer or ISIN</u> ▪ <u>Issue Date</u> ▪ <u>Maturity Date</u> ▪ <u>Coupon Rate</u></p> <p>v. <u>Breakdown of Amounts</u> ▪ <u>Face value</u> ▪ <u>Yield to Maturity, which shall be derived using the tax neutral Global Bond Formula, as follows:</u></p> | <p>c. <u>Written confirmation of settlement of the trade, which shall contain, at the minimum, the following information:</u></p> <p>i. <u>Reference Information (e.g., Account Name of Customer or Transaction Number or other reference)</u></p> <p>ii. <u>Parties</u> i. <u>Name & contact information of Trading Participant</u> ii. <u>Account Name of Customer</u></p> <p>iii. <u>Nature of Transaction - designation of whether the transaction was a purchase or sale for the Customer</u></p> <p>iv. <u>Dates</u> i. <u>Trade Date</u> ii. <u>Settlement Date</u></p> <p>v. <u>Description of the Security</u> i. <u>Type of Security or Issuer or ISIN</u> ii. <u>Issue Date</u> iii. <u>Maturity Date</u> iv. <u>Coupon Rate</u></p> <p>vi. <u>Breakdown of Amounts</u> i. <u>Face value</u></p> |

¹ The term "CPN" is used in the formula rather than "CPN%".

$$\text{Gross Clean Price} = \left[\frac{MV}{\left(1 + \frac{YTM}{Cpn Freq}\right)^{N-1+\frac{DSC}{E}}} \right] + \left[\sum_{k=1}^N \frac{CPNAMT}{\left(1 + \frac{YTM}{Cpn Freq}\right)^{k-1+\frac{DSC}{E}}} \right] - \left[\frac{MV * CPN\% * DCS}{360} \right]$$

Where:

- MV = Maturity Value
- N = Number of Coupon Periods remaining bet. Settlement and Maturity date. If N has a fractional part, (i.e. settlement not on a coupon date) it is rounded to next higher whole number
- CPN AMT = Coupon Amount
- CPN% = Coupon Rate
- Cpn Freq. = Coupon Frequency
- YTM = Yield to Maturity
- DCS = Days from previous Coupon Date to Settlement Date (or Accrued no. of Days)
- DSC = No. of Days from Settlement Date to next Coupon Date
- E = No. of Days in Coupon Period (also E = DCS + DSC)
In Phil. 30/360 convention, E is 360 for annual coupon, 180 for semi-annual coupon, and 90 for quarterly coupon bonds
- K = Coupon Period

- Principal/Price Clean Price
- Accrued Interest
- Final withholding tax on accrued interest
- Unbundled transaction fees (broker's fees, other charges to be paid or reimbursed to the broker)
- ~~Other relevant fees and charges~~
- Settlement amount
- vi. Cash or Securities Disposition
- vii. Such other information as may be required by the SEC or PDEx from time to time.

The affirmation confirmation of execution issued by the Trading Participant to its Customer shall contain the same information as that in the confirmation of settlement.

~~Information on Yield to Maturity may be added to the written confirmation.~~

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ii. Yield to Maturity, which shall be derived from the Clean Price using the tax neutral Global Bond Formula, as follows:

$$\text{Clean Price (GBF)} = \left[\frac{MV}{\left(1 + \frac{YTM}{Cpn Freq}\right)^{N-1+\frac{DSC}{E}}} \right] + \left[\sum_{k=1}^N \frac{CPN}{\left(1 + \frac{YTM}{Cpn Freq}\right)^{k-1+\frac{DSC}{E}}} \right] - \left[\frac{CPN * DCS}{360} \right]$$

Where:

- Clean Price (GBF) = Clean Price Global Bond Formula
- MV = Maturity Value
- N = Number of Coupon Periods remaining bet. Settlement and Maturity date. If N has a fractional part, (i.e. settlement not on a coupon date) it is rounded to next higher whole number
- CPN% = Coupon Rate-amount received per coupon period²
- Cpn Freq. = Coupon Frequency
- YTM = Yield to Maturity
- DCS = Days from previous Coupon Date to Settlement Date (or Accrued no. of Days)
- DSC = No. of Days from Settlement Date to next Coupon Date
- E = No. of Days in Coupon Period (also E = DCS + DSC)
In Phil. 30/360 convention, E is 360 for annual coupon, 180 for semi-annual coupon, and 90 for quarterly coupon bonds
- K = Coupon Period

iii. Principal/Price Clean Price, which is the price at which the trade is matched an consummated, to which the Accrued Interest and the Tax on Accrued Interest are applied to determine the Settlement Value of the transaction.

- iv. Accrued Interest
- v. Final withholding tax on accrued interest
- vi. Unbundled transaction fees (broker's fees, other charges to be paid or reimbursed to the broker)
- vii. ~~Other relevant fees and charges~~
- viii. Settlement amount
- vii. Cash or Securities Disposition
- viii. Such other information as may be required by the SEC or PDEx from time to time.

The confirmation of execution confirmation of settlement issued by the Trading Participant to its Customer shall contain the same information as that in the affirmation of execution confirmation of settlement.

~~Information on Yield to Maturity may be added to the written confirmation.~~

² The term "CPN" is used in the formula rather than "CPN%".

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